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## MINUTES OF BUSINESS MEETINGS AT RICHMOND

DECEMBER 27 and 28, 1918

Pursuant to the announcement in the program, the Thirtieth Annual Meeting of the Association opened with a business meeting in Room A. of the Jefferson Hotel, at Richmond, Virginia, on December 27, at 9 A. M., with President Fisher in the chair.

The annual reports of the Secretary and of the Treasurer, which had been prepared by Professor Young, were in his absence read by Professor English of Cornell. Each was, in turn, by vote, approved.

The Auditors' report was read by Professor English, chairman of the Auditing Committee, and by vote approved.

The report of the Managing Editor of the *American Economic Review* was read by Professor Dewey, and was, by vote, approved.

The President announced the appointment of the following Committee on Nominations: Messrs. Carver, Barnett, Kemmerer, Haney, and Gephart.

The President reported the receipt by the Association of a gift from Mr. Eph. A. Karelson of \$1500 for a prize or prizes for papers on the subject, "What can a man afford?"

The work of the special committees on the economic problems of the war which had been organized early in the year was then summarized by the President, and it was voted that these committees all be discharged, and that the new administration be authorized to continue or extend or reconstitute such of them as he desires.

For the Committee on the Purchasing Power of Money, of which Professor Fisher was chairman, he reported that three bulletins had been published, that on one the committee was not unanimous, one more was ready for publication, and the remaining three were rendered unnecessary by the coming of peace. It was voted that the committee be authorized to put out the publicity already prepared on Stabilizing the Dollar.

The committees on Marketing,<sup>1</sup> on Price Fixing,<sup>2</sup> and on Foreign Trade<sup>3</sup> announced their contributions to the programs of the coming sessions on these topics. Especial mention was made of the War Finance Committee, the comprehensive report of which was to be the basis of the session on Taxation.<sup>4</sup> A fund of \$25,000 had been raised by the committee for its work.

<sup>1</sup> See Professor Hibbard's paper on page 47 of these Proceedings.

<sup>2</sup> See resolutions of the Committee on Price Fixing, on page 351-2 below.

<sup>3</sup> See report presented by the chairman on page 366 of these Proceedings.

<sup>4</sup> This report, together with the discussion of it given at the session on Taxation, appears in a separate publication, *American Economic Review*, Supplement, No. 2, March, 1919.

The committees on Labor, Arrears in Bibliographical Publications, and Collegiate Instruction in Social Sciences reported progress. The committees on Transportation and on Coördination in Taxation had no reports. The former asked to be discharged, the latter to be continued.

Professor Bogart reported that there had been collected some 1500 questionnaires sent out by the Committee on Coöperation in Economic Research; and it was voted that a committee be appointed to promote the utilization of the material in these questionnaires for economic or statistical research.

Upon a motion by Professor Dewey it was voted that the new President, the Secretary, and Professor Carver be appointed a committee to consider the reconstitution of the Executive Committee, as suggested by the Secretary in his annual report, and to present at the next annual meeting a plan for such reconstitution.

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A second business meeting of the Association was held in Room A. of the Jefferson Hotel on Saturday, December 28, at 9.30 A. M., with President Fisher presiding.

The report of a meeting of the Executive Committee held in the auditorium of the Jefferson Hotel on Friday, December 27, at 12.45 P. M., was presented to the Association by T. N. Carver as follows:

It was voted by the Executive Committee to extend a vote of thanks to Mr. Karelsen for his gift of \$1500 for prizes, and to authorize the President to see that the offer is made effective and productive of results; that is, that the conditions are stated and are presented to the economics students of the country and members of the Association, and any others who may wish to compete. The conditions decided upon were:

1. The contest is open to all.
2. A first prize of \$1000 and second prize of \$500 will be given.
3. Papers must be in the hands of the Secretary by October 1, 1919.
4. The papers shall be judged by a committee of three appointed by the President of the American Economic Association, including one economist, one practical social worker, and one student of ethics.

It was voted by the Executive Committee to recommend that the Association pass the following resolution:

WHEREAS, The 1920 national census should be our most important single source for statistics vitally affecting our social and economic problems;

WHEREAS, The usefulness of this census will be in direct proportion to its accuracy;

WHEREAS, It is obvious that the enumerators and supervisors should be selected because of technical fitness;

WHEREAS, The pending Census Bill, H. R. 11984, takes the appointment of the supervisors, who name the enumerators, out of the control of the Civil Service Commission;

WHEREAS, A special committee of this Association is coöperating under the Director of the Census in the preparation of certain technical phases of the work;

We, members of the American Economic Association, respectfully but most earnestly protest against taking the appointment of supervisors out of the control of the Civil Service Commission and urge that they be appointed through the agency of the Civil Service Commission.

The following resolutions, passed by the Committee on Price Fixing, were reported to the Executive Committee, for their acceptance and inclusion in the records:

*Resolved*, That, in the opinion of the Committee on Price Fixing:

1. Any conclusions which may be reached in regard to price fixing in war time should not be interpreted as necessarily applying to peace conditions.

2. In any case where price fixing is justified the price should be high enough to call forth, in so far as the price can affect the production, a prompt and adequate supply for war purposes, but not higher than necessary to accomplish that end.

It is not necessary that it should cover the cost of production of those producers who are especially inefficient, or who are producing under especially unfavorable conditions, unless a sufficient supply cannot be obtained from other producers at the price fixed.

3. In case large quantities of any commodity are required by our own and the allied governments, the buying should be unified even though such unified buying should result in something like price fixing by the single buying agency. In this case the principle involved in resolution No. 2 should be adhered to.

4. In fixing prices for government purchases a careful study should be made to ascertain if purchases which are ostensibly private purchases are not really for government purposes. When a given product is being bought by contractors engaged on work for the government, there is danger that the government's interest will be injured as a result of higher prices being paid by the contractor.

5. The prices should be agreed upon after conference with all parties who have a legitimate interest, including the producers or their representatives, as well as the dealers or distributors and their representatives, and the prices should, as accurately as possible, conform to the principle set forth in resolution No. 2.

6. Prices under competitive conditions perform important functions. Rising prices for a product tend to increase production and to check consumption. Labor and capital in the long run flow into those industries where prices are rising faster than costs and away from industries where prices are falling faster than costs. This is the main way in which industry is guided and controlled under a system of free enterprise.

When competition exists to the full extent, that is to say, when it is possible for labor and capital to flow quickly into industries whose prices are rising, price fixing is not as a rule called for. The occasion for price fixing arises—

a) When there is a sudden increase in the demand, usually on the part of the government, so great that for the time being producers cannot meet it, even though they may be able and willing to start their production at once;

b) When the stock is so limited that, even though the demand may not be sudden, it cannot be met for some months to come, as for example, when there is a shortage in the supply of some staple crop, like wheat or corn, between harvests.

In both of these cases, the demand for price fixing comes from the belief that high prices will benefit not those who are producing commodities, but those who either by design or accident have them in their possession, and therefore make a purely speculative middleman's profit.

If prices are fixed by the government, some other agencies must usually be provided for controlling consumption and production, that is, for doing what

changes of market prices would do automatically. One method would be to draft labor and capital, and to ration out their products to consumers. Short of this, various indirect methods may be used. Moral and social pressures may be applied to consumers to restrict consumption of scant supplies. Taxation may be used to repress non-essential industries. The government may use its control over coal, transportation, and basic raw materials to encourage needed industries, and to restrict those less needed. Banks, under the leadership of the Federal Reserve Bank and the Finance Corporation, may restrict credits to non-essential industries, and extend credits freely to those most needed.

7. In fixing prices of a given commodity, a careful examination should be made of the relation of the market for the given commodity to the market for its substitutes, and of the possibility that it may be necessary to fix the price of substitutes in order to maintain the most advantageous relation between the consumption of the given commodity and the consumption of its substitutes.

8. In case the production or the supply of any commodity in the control of a monopoly, or in case its production, distribution, or sale is so concentrated as to give a substantial control over prices, the government should fix prices, having due regard to the cost of production, the maintenance of an adequate supply, and the prevention of unnecessary waste.

Price fixing is likely to be much more difficult in the case of a scattered than in that of a concentrated industry.

9. In all cases where prices are fixed, allowance should be made for quality.

10. Storing goods to preserve them from consumption in times of relative abundance in order that they may be available for consumption in times of relative scarcity is to be commended, provided, of course, that it does not lead to the cornering of the market.

It was voted by the Association to adopt the following recommendations of the Committee on Price Fixing:

1. That the Association in coöperation with the National Board for Historical Service, the American Statistical Association, and other associations that may be interested, urge upon Congress the advisability of collecting, storing, and preserving in one fireproof building all the records of the Food Administration, including the Grain and Sugar corporations, of the Fuel Administration, of the War Industries Board, of the War Trade Board, of the U. S. Shipping Board, and other boards or organizations which have had anything to do with price fixing; and that appropriations be made for gathering additional material from outside sources and for the classification and indexing of all material bearing upon the subject of price fixing.

2. That the Association raise a special fund to finance an intensive study of the material thus collected.

3. That the Association urge upon teachers of Economics throughout the country the desirability of directing graduate students in the use of this material and the making of intensive investigations of special phases of the problems of price fixing.

Professor T. N. Carver for the Committee on Nominations reported the following nominations for election to offices for the year 1919:

President, Henry B. Gardner; Vice-Presidents, George E. Roberts, Susan M. Kingsbury, Henry R. Hatfield; Secretary-Treasurer, Allyn

A. Young; new members of the Executive Committee, Henry C. Taylor and Maurice H. Robinson, and for member to fill the vacancy caused by the election of Henry B. Gardner to the presidency, F. S. Deibler; members of the Editorial Board, Alexander E. Cance and Willard E. Hotchkiss.

It was unanimously voted that the officers nominated be elected.

The place of the next annual meeting was then discussed informally, and a preference was expressed of those present to hold it in Lexington, Kentucky, though no decisive vote was taken.